



Business Plan for Ade Farm Food Production Company NIG LTD



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Abstract

Ade Farmers Food Production is a family farms business, it focuses to produce more food in quantity and to be packaging in a different kg, also to be added to the value of Nigeria economies and to contribute many benefits for communities. In addition, we have a plan to extend to many countries in Asia, like Malaysia, China, Dubai. Farmers Food production is one of the successful food farms. The idea behind the business is to provide healthy and delicious semovita and emails to the public. In addition to semovita and mails the company plans to produce and market manure compost garden amendment products. Farmers Food productions being formed from the family successful food farms, The latter has long-researched horticultural and agronomic techniques, as well as compost and land blending technology now being promoted by the farmer association of Oyo state agencies. The company is a combination of cutting edge, highest quality, and efficient food technology and production. It is committed to the improvement of food production in the nation and nutritional quality. It is being founded to build upon an extensive array of biological and horticultural education, experience, and the research of its founders. This is further coupled with the experience of Mr. Akeeb, the current manager of Farmers Food Farm, and consultation with the present owner of Food Farm, Mr. Ademola A.A. Farmers Food production is a Kisi-based company, located in Oyo state Nigeria, whose mission is to provide high quality, nutritional, and flavorful semovita and gari for consumption in both near and remote regions of the Nigeria. Additionally, the company will provide high-quality planting materials for use nationwide.

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1. Introduction

Nigeria is the largest population country in Africa, with a population of 180 million and still a commercial Country. Nigeria is growing very well in term of agriculture and others business, but the food still not circulate the country and

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still cost in many places in the part of the country. So I am writing this business Plan for this farm food production company to be producing more food for the benefit of people by low-cost price and quantity so that it will more easers for the customer to buy and to add more to economies of the nation. This farm is producing these types of food (SEMOVITA, CASSAVA FLOWER, and MAIZE FLOWER AND YAM FLOWER) in Nigeria name is (Semovita, Gari or Eba and Amala) this food company is going to expand too many countries later after 2 to 3years, we are target country like -Malaysia, China and Dubai. According to the Product Manager of Semovita and Ball Foods at FlowerMills Ltd, Miss ChinenyeNjideo for, Semovita is a brand that has been in existence for 50 years and holds 70 percent share of the semolina market in Nigeria, hence the need for an advertising campaign that is worthy of the position the brand commands in the market. Stating the benefits of the product, Njideo for stated that Semovita commands the market share it does because it contains fiber, which makes for easy digestion when consumed, is high in protein, low in fat and can be consumed any time of the day because it is easily digestible in the stomach.

In his remarks, Milling Director at Flower Mills, Mr. Solomon Obichukwu, who also represented the Food production Managing Director of the Company, "Flower Mills uses the latest technology to extract the rich fiber embedded in the fibrous layers of the wheat." He further states that since there are about 20 types of wheat, the company had to make sure that the highest quality wheat was used to make Semovita, using a computerized milling system which prevents essential amino acids from being lost when being processed. The name "Semovita" he said is derived from the first four letters of the words "Semolina" and "Vitamin".

Adeyeye (2017), Awotide *et al.*, (2012), how to process yam into yam Flower used as pounded yam. Pound yam is eaten in every state in the country, Nigerian aboard also enjoy this meal, but come to think of it, the energy that goes into preparing pounding yams is not for weakling, in some places the ladies do the cooking while the men do the pounding, while in some places the women do the cooking and the Pounding (no be small work)So if you go into Yam Flower processing and packing you are actually selling convenient and time to your consumers, you saving time to do the pounding and the energy. So package yam Flower that will be ready in 5-10minutes. The basic raw material needed for this venture is yam and we have abundant in Nigeria, the good news is that Nigeria is the largest producers of yam in the World. Bhat (1996), a lot of states plant yam, some in Commercial quantities while other in small quantities. River, Oyo state, all have in commercial quantities, however, it is important to note that is not all type of yams species that is used for yam Flower. The technology behind yam Flower is simple. Cassava Flower is acceptable among Africans, Asians and some other parts of the world as raw materials in bakeries. Just like Semovita, Semolina etc., it is also eaten as food by many. Pharmaceutical companies also use it as raw material. Its processing increases its shelf life, adds value to the cassava tubers (from where it is processed) before being exported to enhance its economic value, reduces waste and cuts down the cost of transporting the product to longer distances compared with the heavy wet cassava tubers that are unprocessed.

2. Research Methods

2.1 Population

As the unit analysis of the study is at the individual level, the population comprises of customers from various cities and towns in Oyo state. These customers were employed into the various departments of the Oyo state. As the unit analysis of the study is at the individual level, the population comprises a total of (33 Local). There will be small sampling procedures to establish for the study, which will consist of (Individual) customer's to be selected from their various departments in the cities and towns of Oyo state.

2.2 Research Design

In other to achieve the research objectives, a survey approach-using questionnaire is used to elicit information from respondents who are the customers of Ade farm food production.

2.3 Sources of Data

Sources of data using in this research work were primary. Primary data referred to information that is first obtained by the researcher on the variables of interest for the specific purpose of the study. For the purpose of this study, primary data will be obtained through the distribution of a questionnaire to all the customers of Ade farm from various cities in Oyo state.

2.4 Data Collection

Data was collected using a structured questionnaire which consisted of items. The questionnaires were distributed to individual customers of Ade farm food production. These questionnaires were returned immediately to the researcher when it was completed.

3. Results and Analysis

The Company

Farmers Food production is a Kisi-based company, located in Oyo state Nigeria, whose mission is to provide high quality, nutritional, and flavorful semovita and gari for consumption in both near and remote regions of Nigeria. Additionally, the company will provide high-quality planting materials for use nationwide.

Farmers Food production is one of the successful food farms. The idea behind the business is to provide healthy and delicious semovita and mails to the public. In addition to semovita and mails the company plans to produce and market manure compost garden amendment products.

Clayton (2013), farmers Food Production management team is led by Mr. Kola J.A as Business Manager, who has extensive knowledge of the industry. The company expects to employ five temporary employees during the equipment relocation phase, four employees on a permanent basis, and three part-time employees.

Products

Farmers Food Production plans to concentrate on cassava product, maize product, yam product, vegetable, semovita and gari as its primary product. This includes growing amala, mails. The company's farm will have a capacity sufficient to produce in excess of 200,000 lbs. of food per year. Ellis & Freeman (2004), the company plans to utilize traditional and more advanced plant technologies to produce new cultivars of gari and Amala with locally-adapted superior characteristics for the growing area. This strategy will allow Farmers Food production to produce crops yam during most of the year and will allow double cultivation of the places with almost no additional heating necessary in the normal time of the months.

While at Farmers Food Production Mr. Ademola Ige, steadily used and experimented with compost and fertilized with manure of different kinds. The product like, (CASSAVA, MAIZE, YAM), all this product have to do with seed for plants. The most important things with manure usage are to eliminate the viable weed seed and raw one drawback by thoroughly composting the manure, to add enough cellulose on the product to bring it to the proper ratio and to bring its water content to proper levels. Hansen (1996), a properly composted manure product has no seeds that will germinate and proliferate in it. Additionally, a properly composted manure product has something a chemically formulated synthetic fertilizer does not have: enzymes. Enzymes are critical for producing a truly nutritive food and superior flavored product. Research has shown that the superior flavor of a semovita or food product is closely related to vitamin content and folic acid content in Flower or Flower food.

The state-of-the-art food equipment starting up in the new location utilizes revolutionary harvest designs that:

- a) Allow faster, longer growth Cut the harvest labor by over 80%
- b) Cut the harvest time and by so doing: Decrease loss in weight gain, and Eliminate weight loss from shock.

Marketing plan

Over the past decade, the market for organics food has grown by 15% to 20% and every year 40% of Nigeria consumers occasionally reach for something strong organic. Sales for organic foods are expected to top ₦11 billion this year. Sales by farmers' markets have increased by 79% since 1994, to 3,137 markets in all 36 states, and the number of farmers who sell at them has more than tripled to 67,000. About three million Nigerians a week now get their fresh food directly from the farmers who grew it. Lewis (2014), this makes for an excellent environment for an industry participant such as Farmers Food production that is willing to compete in a niche market and be first to the market with new products.

Product Description *Food*

Nagaraja (1995), Negash & Swinnen (2013), farmers Food Production first line of products will be the Flower food and mill food. During the raining time, Farmers Food production will be growing carrots, red onions, and spinach. etc In the fall, production will center on pumpkins, winter squash, globe beets, and Winter Flowers. With the growth of the popular organic food niche and the federal government's new organic labeling policy, Farmers Food production will focus its products on the intermediate organic label. This means that approximately 70% of the food production process will be organic and all foods produced by Farmers Food production will be eligible for the "contains organic ingredients" label. The company's farm will have a capacity sufficient to produce in excess of 200,000 lbs. of food per year.

Financial Considerations

The company is seeking ₦830,000 in both short-term and long-term loans to finance the purchase of Farmers new materials farm, upgrade the facilities, and cover start-up expenses and first-year losses. It is estimated that the company will begin to make a profit in Year 2 of operations. The company does not expect to have any cash flow problems during the first four years of operations.

Start-up Summary

Projected revenues for Year 1 to Year 5 are ₦40,000, ₦8,500, ₦50,000, ₦70,800 and ₦82,500 respectively. Additionally, the company estimates that once fully operational, income per product, per annum would be as follows; food (₦50,000) manure (₦20,000) and horticulture (₦10,000).

Start-up

Requirements Start-up Expenses	₦
Legal	19,000
Facilities modification	300,000
Seed	600
Organic Herbicides/Pesticides	5,000
Consultants	25,000
Insurance	10,000
Research and development	25,000
Expensed equipment	250,000
Other	50,000
Total Start-up Expenses	684,600
Start-up Assets	
Cash Required	245,400
Start-up Inventory	150,000
Other Current Assets	250,000
Long-term Assets	500,000
Total Assets	1,145,400
Total Requirements	1,830,000

Yam Flower

The company's more technical horticultural aspects include efforts to utilize traditional and more advanced plant technologies to produce new cultivars of Flower such as gari and Amala with locally-adapted superior characteristics for the growing area. Flavor, disease resistance, adaptability to Flower-house culture, fall and winter season production are factors being combined in Flowers cultivation to tap into the ₦2.99 pint berry market of the fall and winter.

Farmers Food Production strategy is a combination of the two technologies during the cool winter months which will allow the utilization of normally wasted space in the Flower houses for the high price winter Flowers production. This will allow double cultivation of the Flower houses with almost no additional heating necessary in this climate.

Technology

The company is currently seeking contact with UNAB universities in order to learn about and acquire new hybrids of Flowers food that are hardier and grow faster in our local microclimates. These and other available species and systems will be constantly tracked.

In addition to the above, the company is seeking contacts at Universities in North and East that are involved in Flowers food and will continue the quest for the best flavored, large, and firm fall and timely food.

Currently, Farmers Food production is conducting research to test certain clay-sand-manure mixture levels to obtain better, cheaper bedding and agronomic soil mixtures that are more effective than the standard used in the industry in Kisi (Pine bark mulch-composted).

Future Products

In the meantime, the company would like to explore the possibilities of crayfish production. Farmers Food production believes this to be a high revenue venture with retail prices running in excess of ₦15.00 per pound in most places. The company also believes that if crayfish production is successful then it could become the number one endeavor of Farmers Food Production.

Currently, there is a defunct fish farming production facility with all the necessary capital equipment approximately two miles from the current farm. Purchase of this facility would allow Farmers Food production to begin production and to capitalize on this higher margin product. What makes these most attractive ventures have significant cost potential, allowing for a reduction in marginal costs for all products and creation of real economies of scale that would provide Farmers Food production with a competitive advantage?

Market Analysis Summary

At a time when eating has become a political statement, the government is paying up to ₦9 billion a year to subsidize commodity crops in a glutted global market. Federal officials say that nearly 40% of all farm income now comes directly from government subsidies, and the farm bill signed by President Obasanjo will pay ₦90 billion over 10 years, which includes ₦23 billion in new spending. However, there are two market niches that are growing at an amazing rate, the organic market, and the simple farmers' market.

Quisumbing (1996), the organic market provides less than 2% of the nation's food supply and takes up less than 1% of its cropland. But organic farms are Flower is hing as never before. Over the past decade the market for organic food has grown by 15 to 20% and every year 40% of Nigeria consumers occasionally reach for something labeled organic or NAFDAC. Sales for organic foods are expected to top ₦3 billion this year. Conglomerates as big as Yanaty and Golden Penny Mills are now launching or buying organic lines and selling them in mainstream supermarkets.

With no subsidies and no middlemen, farmers' markets have increased by 79% since 1994, to 3,137 markets in all 36 states, and the number of farmers who sell at them has more than tripled to 67,000, the Agriculture Department has reported. About three million Nigerians a week now get their fresh food directly from the farmers who grew it. "Right now, Flower markets are growing faster than anything in agriculture," said Dr. Wale, a farm economist at the University of Agriculture Abeokuta.

These numbers, of course, represent a very thin slice of the big pie of national food. Farmers' markets reported about ₦1 billion in sales last year, compared with more than ₦20 billion in overall farm revenue. Barely 3% of the nation's two million farmers sell some of what they grow directly to consumers.

But in an era of big-box food stores, when 10 major grocery chains control the purchase of 50% of fresh food, the proliferation of open-air markets has come out of nowhere, giving more consumers an option and allowing many small farmers to stay in business.

With these trends in mind, Farmers food production will concentrate on:

- a) Wholesale live food markets nationwide that sell organic produce and manure.
- b) Fresh farmers' markets.
- c) Fall and winter Flowers market.

- d) Nursery outlets selling composted manure.

Market Segmentation

The target customers include oriental food markets demanding organic and semi-organic Flower food, food processors, and private individual buyers through direct selling and farmers markets. The company will continue to service the existing customers of the purchased food farms. In its Flowers production, the company will target virtually all main food outlets. The company plans to use the Internet as one of its marketing channels in the future. The company's target customers will be as follows:

Food:

- a) Oriental food markets demanding organic and semi-organic food.
- b) Food processors.
- c) All fast food.
- d) People approaching the farm.
- e) Roadside stands and farmers' markets.

Product-Bagged Manure:

- a) Nursery and Garden Centers.
- b) Private customers approaching the facility.
- c) Bulk customers.

The company will also take over customers from the previous owner of the food facility. Farmers Food production has an established list of present customers of Errol food farm, which is a major asset to the sales of the company.

Industry Analysis

Kisi is one of the premier farming areas of western Nigeria. This creates an intensely competitive environment with a large number of industry participants. Since almost all of the produce is considered to be commodities, and large-scale buyers are more consolidated than the farmers themselves, overall margins are small and rivalries for wholesaler contracts are strong.

Competitive threats come from three main segments:

- a) Imported food of lower quality.
- b) O.B.J farm food.
- c) Kisi food producers.

Direct competition in the individual buyers' market segment comes from three farms in the immediate area including the Ade farm, Oloyoyo farm, and the Songa food farm. Each of these competitors has to produce stands as well as selling to local farmers' markets. However, with the exception of none of the others focus on a niche market and depend heavily on federal subsidies.

Target Market Segment Strategy

The Market Analysis Pie shown below reflects the total number of potential customers for Farmers Food. The number of Oriental markets and food processors represents national estimates of industry participants, whereas the number of individual buyers represents the estimated annual number of individuals that will be driving by the farm.

Market Analysis

		Year 1	Year 2	Year 3	Year 4	Year 5	
Potential Growth	CAGR	Customers					
Food processors	3%	5,000	5,150	5,305	5,464	5,628	3.00%
Oriental food markets	1%	25,000	25,250	25,503	25,758	26,016	1.00%

Individual buyers	5%	300,000	315,000	330,750	347,288	364,652	5.00%
Total	4.68%	330,000	345,400	361,558	378,510	396,296	4.68%

Strategy and Implementation Summary

The Farmers Food production strategy is to profitably and efficiently utilize present and future agricultural technology in the production of food. The company, by acquiring an existing profitable food farm with all the necessary custom-innovated equipment, will gain a significant industry advantage. Additional application and utilization of horticultural technology in the production of gari will allow double utilization of the climate controlled portion of the overhead. Farmers Food production hopes to consolidate considerable goodwill already created by exercising the option of not adding another high-production facility to the present supply-demand scenario.

The company's goals in the first year are to:

- Prepare the future site.
- Relocate and expand Flower Acres food system and get it operational.
- Integrate Flowers culture into the system.
- Have the composting system in full production by early spring of the second year.

The company's long-term plan is to phase out whichever products are the least lucrative and replace them with products that are practical and cost-efficient.

Competitive Edge

Farmers Food's main competitive advantages are:

- Efficient production utilizing Flower houses.
- Reduced overhead by fully realizing crop output potential and economies of scale through cut costs.
- Knowledge due to research since 1990.

Marketing Strategy

Farmers Food production will initially market and supply its products to target customers. The company is further exploring marketing opportunities on the Internet. To this extent, the company would like to set up a website to market its products. The company will utilize aggressive advertising strategies to further market its products. These strategies include the promotion of products through the sponsoring of spots on cooking shows and exhibitions and engaging prominent chefs to help promote this fledgling industry.

Pricing Strategy

The company sets its pricing based on market rates as far as food products are concerned.

Farmers Food's pricing for gari will exceed the average market price for the following reasons:

- Taste sampling at outlets will be encouraged.
- Unparalleled flavor superiority will addict Flowers tasters.
- Promotion of pesticide-free, fumigant-free cultural techniques of soil, environment, ozone, and health-friendly production techniques.

Sales Strategy

At Farmers Food, the sales process is primarily the same for food as it is for composting products, in that both products will be mainly sold through wholesale marketing. As in the past, live shipments will be delivered by contract carriers in special package barge carrying 8,000 tons of food or more and will be continued as demanded. Farmers Food's bagged manure products will be delivered and unloaded in sizable wholesale quantities by the pallet. Smaller, more local orders will significantly increase the overall sales when the 300-450 live food carrying barge system is put into service late in 2000 or early in 2001.

The company's average sales cycle from the first contact to the closing of the sale is approximately 3 to 12 days for food products. Farmers Food production plans to shorten this cycle. Furthermore, the company estimates that from the

first contact to sale conclusion, the cycle for fresh gari will run 3 days or less. Composted products sale cycle should run from 3 to 12 days.

Direct sales contacts of food markets by delivery personnel, as well as a cold calling by telephone of potential market outlets, will also be employed.

Strategic Alliances

The company has strategic alliances with:

- a) UNAB University Agriculture Department.
- b) College of Agriculture Oyo State Biology Department.
- c) Dr. Wale Omolara – Food Specialist.
- d) Joy Abby - Horticultural Inspection
- e) Charles Moffe – Wildlife and farmer.

		Sales Forecast				
		Year 1	Year 2	Year 3	Year 4	Year 5
Sales						
Sales Group		₦75,000	₦700,000	₦850,000	₦889,100	₦927,331
Other		₦0	₦0	₦0	₦0	₦0
Total		₦75,000	₦700,000	₦850,000	₦889,100	₦927,331
Sales						
Direct						
Cost of Year 1	Year 2	Year 3	Year 4	Year 5		
Sales						
Sales	₦391,000	₦478,100	₦578,850	₦601,032	₦627,803	
Other	₦0	₦0	₦0	₦0	₦0	
Subtotal						
Direct						
Cost of	₦391,000	₦478,100	₦578,850	₦601,032	₦627,803	
Sales						

Nature of Operations

The company is in the business of food farming, Flowers cultivation, and composting. The company expects to be operating in 2009.

Revenues

The company's revenue is derived primarily from the sale of food, like, Semovita, Gari, Maize, yam Flower, vegetable etc. and bagged composted manure products.

Nature and Limitation of Projections

This financial projection is based on sales volume at the levels described in the sales forecast section and presents, to the best of management's knowledge, the company's expected assets, liabilities, capital, and revenues and expenses. The projections reflect management's judgment of the expected conditions and its expected course of action given the hypothetical assumptions.

Management Summary

Farmers Food's Production management team is led by Mrs. Ademola A.A, Business Manager, and the current manager of production Farmers Food Farm, who has extensive knowledge of the industry and has been tracking food trends for 30 years.

The company's management philosophy is based on responsibility and mutual respect. Farmers Food production has an environment and structure that encourages productivity and respect for customers and fellow employees.

Personnel Plan

Overall, Farmers Food production will have 12 personnel. The company expects to employ 5 temporary employees during the equipment relocation phase, 4 employees on a permanent basis, and 3 part-time employees. The Farmers Food production team is organized into three foods:

Management

Management will be responsible for supervising and participating in the daily operations of the facility. Management consists of:

- a) Mrs. Ademola A.A, Business Manager, Full Time
- b) Mr. Ademola A.A, Executive Director, Full Time
- c) Mr. Wole O, Management Trainee, 3/4 Time
- d) Mrs. Florence A, Management Trainee, 1/4 Time

Daily Maintenance

This food production will consist of the following:

- a) Micheel Joy, Logistical Engineer, Full Time
- b) Nurudeen Olaoje, Heavy Equipment, Full Time
- c) K. B Bola, Welder, 1/2 Time

Contract Personnel

They will be utilized initially for the moving and setting up of the food farm, Flower houses, and the building of the manure composting facility.

Personnel Plan

	Year 1	Year 2	Year 3	Year 4	Year 5
Business Manager	₦25,000	₦30,000	₦30,000	₦30,000	₦30,000
Executive Director	₦25,000	₦30,000	₦30,000	₦30,000	₦30,000
Manager Trainee	₦9,000	₦6,000	₦6,000	₦6,000	₦6,000

Manager	₦4,000	₦6,000	₦6,000	₦6,000	₦6,000
Trainee					
Logistic	₦18,000	₦18,000	₦18,000	₦18,000	₦18,000
Engineer					
Heavy	₦18,000	₦18,000	₦18,000	₦18,000	₦18,000
Equipment					
Welder	₦3,500	₦3,000	₦3,000	₦3,000	₦3,000
Contract	₦15,000	₦0	₦0	₦0	
workers					
Total	7	7	7	7	
People					
Total	₦117,500	₦111,000	₦111,000	₦111,000	₦111,000
Payroll					

Financial plan summary funding requirements and uses

The company is seeking to raise ₦830,000 for the purpose of financing the Food Production Farm, facilities modifications, equipment, and funding operating expenses. Another ₦1,000,000 will be invested in the company by its owners. The following is a breakdown of how the funds will be used:

Breakdown of Use of Funds	
Property	₦1,300,000
Equipment System	₦400,000
Sub-total	₦1,700,000
Operating Expenses:	
Salaries	₦80,000
Marketing and promotion	₦10,000
Other operating expenses	₦10,000
Sub-total	₦100,000
Total	₦1,800,000

Start-up Funding	
Start-up Expenses to Fund	₦684,600
Start-up Assets to Fund	₦1,145,400
Total Funding Required	₦1,830,000
Assets	
Non-cash Assets from Start-up	₦900,000
Cash Requirements from Start-up	₦245,400
Additional Cash Raised	₦0
Cash Balance on Starting Date	₦245,400
Total Assets	₦1,145,400
Liabilities and Capital	
Liabilities	
Current Borrowing	₦400,000
Long-term Liabilities	₦400,000
Accounts Payable (Outstanding Bills)	₦30,000
Other Current Liabilities (interest-free)	₦0
Total Liabilities	₦830,000
Capital	
Planned Investment	
Investor 1	₦250,000
Investor 2	₦250,000

Investor 3	₦ 250,000
Investor 4	₦ 250,000
Other	₦ 0
Additional Investment Requirement	₦ 0
Total Planned Investment	₦ 1,000,000
Loss at Start-up (Start-up Expenses)	(₦ 684,600)
Total Capital	₦ 315,400
Total Capital and Liabilities	₦ 1,145,400
Total Funding	₦ 1,830,000

Important Assumptions

Nature and Limitation of Projections

This financial projection is based on sales volume at the levels described in the sales forecast section and presents, to the best of management's knowledge, the company's expected assets, liabilities, capital, and revenues and expenses. The projections reflect management's judgment of the expected conditions and its expected course of action given the hypothetical assumptions.

Nature of Operations

The company is in the business of food farming, Flowers cultivation, and composting. The company expects to be operating in 2009.

Revenues

The company's revenue is derived primarily from the sale of food, like, semovita, gari, maize, yam Flower, vegetable etc. and bagged composted manure products.

Expenses

The company's expenses are primarily those of salaries, utilities, and insurance costs. Other expenses are based on management's estimates and industry averages.

	General Assumptions				
	Year 1	Year 2	Year 3	Year 4	Year 5
Plan Month	1	2	3	4	5
Current Interest Rate	7.00%	7.00%	7.00%	7.00%	7.00%
Long-term Interest Rate	7.00%	7.00%	7.00%	7.00%	7.00%
Tax Rate	20.83%	20.00%	20.83%	20.00%	20.83%
Other	0	0	0	0	0

Break-even Analysis

The company's break-even analysis is given below.

Break-even Analysis

Monthly Revenue Break-even ₦ 36,974

Assumptions:

Average Percent Variable Cost 68%

₦11,832 Estimated

Monthly Fixed Cost

Projected Profit and Loss

As the profit and loss table shows, Farmers Food production expects a steady growth in profitability over the next few years.

Pro Forma Profit and Loss

	Year 1	Year 2	Year 3	Year 4	Year 5
Sales	₦575,000	₦700,000	₦850,000	₦889,100	₦927,331
Direct Cost of Sales	₦391,000	₦478,100	₦578,850	₦601,032	₦627,803
Other	₦10,000	₦10,000	₦10,000	₦10,000	₦10,000
Total Cost of Sales	₦401,000	₦488,100	₦588,850	₦611,032	₦637,803
Gross Margin	₦174,000	₦211,900	₦261,150	₦278,068	₦289,528
Gross Margin %	30.26%	30.27%	30.72%	31.28%	31.22%
Expenses					
Payroll	₦117,500	₦111,000	₦111,000	₦111,000	₦111,000
Sales and Marketing and					
Expenses	₦11,400	Other ₦11,100	₦16,550	₦15,300	₦17,550
Depreciation	₦0	₦0	₦0	₦0	₦0
Gas and Oil	₦2,040	₦3,000	₦3,000	₦3,000	₦3,000
Utilities	₦6,000	₦6,000	₦6,000	₦6,000	₦6,000
Insurance	₦5,040	₦5,500	₦5,500	₦5,500	₦5,500
Payroll Taxes	₦0	₦0	₦0	₦0	₦0
Other	₦0	₦0	₦0	₦0	₦0
Total Operating Expenses	₦141,980	₦136,600	₦142,050	₦140,800	₦143,050
Profit Before Interest and					
Taxes	₦32,020	₦75,300	₦119,100	₦137,268	₦146,478
EBITDA	₦32,020	₦75,300	₦119,100	₦137,268	₦146,478
Interest Expense	₦54,664	₦47,845	₦39,095	₦32,095	₦26,495
Taxes Incurred	₦0	₦5,491	₦16,668	₦21,035	₦24,996
Net Profit	(₦22,644)	₦21,964	₦63,337	₦84,139	₦94,987
Net Profit/Sales	-3.94%	3.14%	7.45%	9.46%	10.24%

Pro Forma Balance Sheet

	Year 1	Year 2	Year 3	Year 4	Year 5
Assets					
Current Assets	₦	₦	₦	₦	₦
Cash	239,980	180,177	202,250	201,210	182,106
Accounts Receivable	0	0	0	0	0
Inventory	55,760	24,586	29,767	31,136	32,475
Other Current Assets	250,000	250,000	250,000	250,000	270,000
Total Current Assets	545,740	454,763	482,017	482,346	484,581
Long-term Assets					
Long-term Assets	500,000	500,000	500,000	500,000	500,000
Accumulated Depreciation	₦0	₦0	₦0	₦0	₦0
Total Long-term Assets	500,000	500,000	500,000	500,000	500,000
Total Assets	1,045,740	954,763	982,017	982,346	984,581
Liabilities and Capital	Year 1	Year 2	Year 3	Year 4	Year 5
Current Liabilities					
Accounts Payable	6,984	44,043	55,960	57,150	59,399
Current Borrowing	346,000	246,000	146,000	121,000	86,000
Other Current Liabilities	0	0	0	0	0
Subtotal Current Liabilities	₦352,984	₦290,043	₦201,960	₦178,150	₦145,399

Long-term Liabilities	₦ 400,000	375,000	350,000	300,000	250,000
Total Liabilities	752,984	665,043	551,960	478,150	395,399
Paid-in Capital	1,000,000	1,000,000	1,097,000	1,097,000	1,097,000
Retained Earnings	(684,600)	(732,244)	(730,280)	(676,943)	(602,804)
Earnings	(22,644)	21,964	63,337	84,139	94,987
Total Capital	292,756	289,720	430,057	504,196	589,182
Total Liabilities and Capital	1,045,740	954,763	982,017	982,346	984,581
Net Worth	292,756	289,720	430,057	504,196	589,182

Business Ratios

The business ratios given below are contrasted to industry standards for SIC code 0161 which covers food and melon growers. Within this category, research has shown that there can be significant deviations from industry standards due to farm size, product lifecycle, and capital resources.

Farmers Food production is a start-up venture, and therefore has a more heavy debt to equity ratio than most existing farms. Furthermore, due to its move into a niche market, the company is expected to spend more on advertising than its competitors. The first two years of operations are expected also to have a higher growth rate than average as it gains market share.

Ratio Analysis

	Year 1	Year 2	Year 3	Year 4	Year 5
Sales Growth	0.00%	21.74%	21.43%	4.60%	4.30%
Percent of Total Assets					
Accounts Receivable	0.00%	0.00%	0.00%	0.00%	0.00%
Inventory	5.33%	2.58%	3.03%	3.17%	3.30%
Other Current Assets	23.91%	26.18%	25.46%	25.45%	27.42%
Total Current Assets	52.19%	47.63%	49.08%	49.10%	49.22%
Long-term Assets	47.81%	52.37%	50.92%	50.90%	50.78%
Total Assets	100.00%	100.00%	100.00%	100.00%	100.00%
Current Liabilities	33.75%	30.38%	20.57%	18.14%	14.77%
Long-term Liabilities	38.25%	39.28%	35.64%	30.54%	25.39%
Total Liabilities	72.00%	69.66%	56.21%	48.67%	40.16%
Net Worth	28.00%	30.34%	43.79%	51.33%	59.84%
Percent of Sales					
Sales	100.00%	100.00%	100.00%	100.00%	100.00%
Gross Margin	30.26%	30.27%	30.72%	31.28%	31.22%
Selling, General & Administrative	37.26%	29.04%	24.76%	23.31%	22.31%
Expenses					
Advertising Expenses	0.83%	0.71%	1.23%	1.20%	1.23%
Profit Before Interest and Taxes	5.57%	10.76%	14.01%	15.44%	15.80%
Main Ratios					
Current	1.55	1.57	2.39	2.71	3.33
Quick	1.39	1.48	2.24	2.53	3.11
Total Debt to Total Assets	72.00%	69.66%	56.21%	48.67%	40.16%
Pre-tax Return on Net Worth	-7.73%	9.48%	18.60%	20.86%	20.36%
Pre-tax Return on Assets	-2.17%	2.88%	8.15%	10.71%	12.19%
Additional Ratios	Year 1	Year 2	Year 3	Year 4	Year 5
Net Profit Margin	-3.94%	3.14%	7.45%	9.46%	10.24%
Return on Equity	-7.73%	7.58%	14.73%	16.69%	16.12%
Activity Ratios	₦	₦	₦	₦	₦
Accounts Receivable Turnover	₦ 0.00	0.00	0.00	0.00	0.00
Collection Days	₦ 60	0	0	0	0
Inventory Turnover	₦ 3.93	11.90	21.30	19.74	19.74

Accounts Payable Turnover	₹ 55.25	12.17	12.17	12.17	12.17
Payment Days	₹ 29	17	27	30	29
Total Asset Turnover	₹ 0.55	0.73	0.87	0.91	0.94
Debt Ratios					
Debt to Net Worth	₹ 2.57	2.30	1.28	0.95	0.67
Current Liat.	0.47	0.44	0.37	0.37	0.37
Liquidity Ratios	NNNNNN				
Net Working Capital	192,756	164,720	280,057	304,196	339,182
Interest Coverage	0.59	1.57	3.05	4.28	5.53
Additional Ratios					
Assets to Sales	1.82	1.36	1.16	1.10	1.06
Current Debt/Total Assets	34%	30%	21%	18%	15%
Acid Test	1.39	1.48	2.24	2.53	3.11
Sales/Net Worth	1.96	2.42	1.98	1.76	1.57
Dividend Payout	0.00	1.14	0.32	0.12	0.11

4. Conclusion

This financial projection is based on sales volume at the levels described in the sales forecast section and presents, to the best of management's knowledge, the company's expected assets, liabilities, capital, and revenues and expenses. The projections reflect management's judgment of the expected conditions and its expected course of action given the hypothetical assumptions. Farmers Food production is a start-up venture, and therefore has a more heavy debt to equity ratio than most existing farms. Furthermore, due to its move into a niche market, the company is expected to spend more on advertising than its competitors. The first two years of operations are expected also to have a higher growth rate than average as it gains market share.

Conflict of interest statement and funding sources

The author(s) declared that (s)he/they have no competing interest. The study was financed by the authors.

Statement of authorship

The author(s) have a responsibility for the conception and design of the study. The author(s) have approved the final article.



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